

# GLOBALIZATION AND THE PARADOX OF PARTICIPATION: THE CHINA CASE

## Introduction

An important current in the study of globalization<sup>i</sup> and its impacts holds that the spread of economic liberalism and of the concept of human rights globally has eventuated in new notions of citizenship. What has been termed a "postnational" citizenship, granted "on the basis of personhood," has increasingly offered to immigrants the rights and privileges once granted just to nationals, in one view. Whether the mechanism at work is said to be principally ideational--as, by "changes in the institutional and discursive order of rights at the global level"<sup>ii</sup>--or ideational-cum-material--as, in the words of another author, through the dissemination of notions of social justice and human rights which accompany the spread of market relations, both domestically and internationally--this analysis claims to see underway a new "extension of rights to individuals who are not full members of the societies in which they reside."<sup>iii</sup>

In another, similar formulation, the proliferation of international human rights law, which "recognizes the individual as an object of rights regardless of national affiliations or associations with a territorially-defined people," has meant in recent years that "states [have] had to take account of persons qua persons as opposed to limiting their responsibilities to their own citizens."<sup>iv</sup> Whether or not this is valid, this article argues that globalization has probably done as much to minimize the granting of citizenship and membership rights and privileges to individuals as it has done to extend it.

Specifically, I propose that a political paradox lies at the core of globalization. Accordingly, globalization can be seen as a two-level, double-edged process: Efforts at the level of the state to become accepted within the dominant, one might say

hegemonic, global economic society have at the same time worked to exclude large numbers of immigrants and once-citizens from genuine membership in the national community. I illustrate my analysis with a bit of material from France and Mexico, but principally focus upon the case of China.

Workers in and immigrants into all three countries have witnessed--and suffered from--burgeoning unemployment accompanying these states' joining, striving to join, or preparing to join the global economy more fully and becoming members of supra-national economic organizations, the European Monetary System for France (first in 1983 and then in 1992), the General Agreement on Tariffs and Trade (1985) and the North American Free Trade Agreement (1994) for Mexico, and the World Trade Organization for China (probably in 2000).<sup>v</sup> While these acts of joining pushed France and Mexico to engineer massive turn-arounds in their economic strategies as a result of seeming necessity and external international pressures (most crucially, crushing debt for Mexico, severe balance of trade problems for France),<sup>vi</sup> China's leaders arguably scrapped much of its workforce beginning in 1997 in the absence of any such direct exogenous goad.

Instead, they started to restructure their economy along market principles beginning in 1979 in part to gain new domestic legitimacy after the death of Mao Zedong and the misery of the Cultural Revolution and, also in large part, under the influence of a process I term "virtual globalization." According to this logic, a domestic economy mimics the effects presented among the major participants, before, but in the hope of, attaining full-scale global economic membership, and prior to becoming explicitly subject to its pressures, and so not primarily in response to the dictates of external material forces.

Besides the foreign economic forces at work, virtual globalization also played a role in Mexico's economic liberalization: one writer remarks upon its eagerness for "membership in the rich countries' club."<sup>vii</sup> Another scholar termed the French "policy

paradigm" since the late 1950s as one that saw France's longterm national economic and security interests in solidarity within the European Community..in the 1980s, he states, "the economic component of this paradigm implied cooperation with the movement toward monetary integration and market deregulation."<sup>viii</sup>

But in the case of China, with its lengthy merely partial "opening to the world" (at least up to the 1999 press for prompt World Trade Organization (WTO) membership), the leadership *by choice* subjected the nation to the dynamic of globalization, without the usual concomitant constraints--foreign guestworkers, economic stagnation and serious national indebtedness, or even much menacing external competition.<sup>ix</sup> And yet in China, the paradox of participation is if anything even more pronounced than elsewhere, because of the heritage there of specific socialist institutions.

Thus in China, the unemployment and downsizing, corporate mergers and bankruptcy promoted since 1997<sup>x</sup> have been the result not of foreign debts so much as they are of public enterprise indebtedness to domestic banks and to other Chinese firms, i.e., internal arrears at the plant level; are derived from competitive pressures and losses in state enterprises not (surely in the pre-Asian crisis period) so much from abroad as from non-state firms in China itself. Furthermore, the press of migrant labor in the cities is not, as in parts of Western Europe in its heyday of growth or in the wealthier areas of the non-Western world, from foreign parts at all, but instead from the country's own countryside. Nor was its foreign trade even remotely in any difficulty at the time when liberalization was put forward. And yet despite the relative lack of a direct material squeeze from outside forces, a case can be made that the world economy and its fashions are implicated nonetheless.

Thus, globalization's reach is lengthier even than appears at first glance. For its processes implicate not just those places more totally part of the world economy. As myth of modernity, metaphor for success, threat of extinction, inducement to

acceptance, incentive to belong, globalization, along with its accompanying philosophy about the proper pathway to economic achievement, can also serve as a powerful idea enticing sites still in some ways on the periphery of the world marketplace to step deeper inside. And as they do so, their workers (and those they attract from outside) become subjected to ferocious competition (to promote exports, to attract investment) on an international scale, and a correlative search for efficiency among nations and firms.

As this occurs, workers are made subject to this pursuit of advantage and supremacy, as their employing enterprises “downsize” and “cut back”; and as “flexible” and “informal” forms of laboring restructure their working lives. Most starkly, increased unemployment and a reliance on labor typically filled by migrants emerge as the twin answers to the corporate quest for ascendancy in the global marketplace. The persons who fill these roles--the jobless and the noncitizen worker--share a key characteristic: in critical ways they are outsiders, the excluded, nonmembers in the national community, one could even say noncitizens. Their growing presence and mounting numbers in much of the world today deprive the societies they inhabit of a fully participant population.

I proceed to sketch out the sense in which I am using the terms “globalization” and “membership” (or “citizenship”), indicating their interrelationship. I then present the background to and features of the Chinese adoption of the practices of globalization and the exclusionary consequences for many residents of that nation.

## **Globalization and Membership**

### *Economic Globalization*

Economic globalization entails the intensified connection between national economies in the late twentieth century, along with an attendant neoliberal economic ideology dictating deregulation and privatization. Its manifestations involve a mix of tightly interlinked phenomena. These include massive movements of capital, labor, and

other factors of production on a worldwide scale; international hyper-competitiveness among firms, nations, and regions; monetarist management of the money supply, with the aims of cutting inflation, boosting exports, and attracting investment; and pressures on national governments to deregulate and liberalize financial markets, and to engineer low-deficit, low-debt, low-wage economies which win high credit ratings from financial institutions and attract foreign investment.<sup>xi</sup>

At least two pivotal events set this chain of effects into motion among the nations pushed into the global race in the 1970's (which China was not): The first of these was the collapse of the Bretton Woods fixed exchange rate mechanism of the early 1970s, which restored competition to the setting of interest and exchange rates. This event installed floating rates which, in turn, promoted capital mobility and an expansion of financial markets. Relatedly, deregulation of financial markets followed within a decade, which, combined with deflationary measures to promote exports and cut inflation, ultimately produced massive speculation and an ever-present threat (and accelerating reality) of bankruptcy and takeover within these countries.<sup>xii</sup>

The other pivotal event lies at the root of the inflation whose reduction became the preoccupation of globally-involved macroeconomic policymakers in the 1970s, and even more so in the 1980s.<sup>xiii</sup> This was the double set of oil price shocks in 1973 and 1979. These called into question the several decades'-old Keynesian approach to demand management, which had privileged the solution of unemployment over concern with price rises in Western Europe, and, as it happened, within Mexico's statist economy with its import substitution industrialization as well. These shocks brought in their wake crises for leading Western economies (and by a slightly different route, for the Mexican one too, by 1981), quickly after which ensued recession, stagnation, and deficits. Elevated interest rates seemed the only antidote to remedy inflation; these rates went on to induce a reduction in investment, an increase in national indebtedness, and generalized fluctuations in demand. All of this summed up to the momentous

replacement of Keynesianism with the policy of monetarism in the direction of national economies.<sup>xiv</sup>

Building upon and augmenting this approach to the conduct of domestic macro-management in France and Mexico, respectively, were the regional free trade agreements of the early 1990s--Maastricht and NAFTA. These protocols, along with the mantra of international monetary, trade, and aid organizations, forced a dismantling of trade barriers and demanded lowering both internal deficits and foreign debt. All of this lent an even more hectic pace to capital mobility, as the owners of investment capital perpetually sought out an ever-more attractive environment for its (short-term) home.<sup>xv</sup>

And so a race developed among the implicated nations, to balance budgets and cut back deficits. In the struggle to be at the forefront, governments drew upon the methods of monetarism to maintain low-inflation environments, the better to attract foreign investment and the better to push their own exports abroad via competitive prices. And all of this called for creating and sustaining competitive, low-cost labor markets composed of "flexible" workers--willing to work odd hours, for unpredictable periods, without safety or security. Such markets were "efficient" as they allowed firms rapidly to adapt to the persistent economic uncertainty.<sup>xvi</sup>

Yet one other element was technological change. As higher technologies appeared and were applied to the workplace, service-sectoral employment increasingly replaced the labor-intensive, lower-skilled jobs of the past.<sup>xvii</sup> The overall result was a rebirth under high capitalism of the same sort of non-standard, part-time or temporary, fixed-term contract or non-contract, low-paid, "downgraded," under-entitled and unentitled, underprotected and unprotected work that marked that system's much earlier, lower-level version.<sup>xviii</sup>

*Membership/Citizenship*

In much of Western Europe, in the age of rapid postwar growth from the 1950s through the early 1970s, this low-tech niche had been supplied in large part by foreign migrant labor, the “guestworkers” from the poorer countries to the east and south.<sup>xix</sup> But with the onset of stagnation in the early 1970s, though the initial migrant labor’s offspring remained in place, native workers either joined them in this niche or simply lost their jobs. A critical outcome was that the pro-labor treatment of the preceding era, which had obtained for native workers, and, increasingly, for outsiders as well in many countries<sup>xx</sup>--offering decent and safe working conditions and hours and welfare benefits--appeared to be too costly, uncompetitive, and “rigid,” by contrast, too incapable of meeting the imperatives of the current juncture: to keep inflation down, credit ratings up, and investment flowing inwards.<sup>xxi</sup> Thus, as migrants’ lot declined, locals’ jobs were downgraded and the ranks of the unemployed mounted.

For in this overall climate in most of the countries of Western Europe and in Mexico, where the twin effects of global economic involvement and membership in regional free trade zones fostered these behavioral patterns, the drive for efficiency meant leaner firms with less costly operations, thus downsizing and a rise in unemployment.<sup>xxii</sup> That drive also eventuated in an expanding niche for migrant labor, which, with its powerlessness, is ideally suited for the vagaries of “flexible” employment.<sup>xxiii</sup> These two expanding categories, the unemployed and migrants, came to share a critical trait: they both became the excluded, those outside the national community, those, that is, who cannot participate in it on anything approaching regular terms.<sup>xxiv</sup> Katherine McFate, for instance, speaks of those forced into informal or illegal sectors of the economy by poor market conditions and discrimination as being “viewed as outside the boundaries of the political/moral community.”<sup>xxv</sup>

This perspective suggests that in an important sense such people have been denied citizenship. This is so if we understand citizenship in the broad, social sense of membership and participation in all the dominant institutions of a particular community--that is, as entailing whatever social, economic, and/or political powers and privileges

full members receive from the state and from dominant social institutions. Defined thus, only those who are fully members can be said to enjoy genuine citizenship or participation in the community. For, in the words of T. H. Marshall, who terms citizenship "a status bestowed on those who are full members of a community," a constitutive part of citizenship is the social dimension, which includes the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilized being according to the standards prevailing in the society..In the economic field the basic civil right is the right to work.<sup>xxvi</sup>

In a different vein, but bearing a parallel message is Judith Shklar's characterization of American citizenship, which grounds the notion in two essential features, the equality of rights and "the opportunity to work and to be paid an earned reward for one's labor."<sup>xxvii</sup>

A recent volume on social policy highlights a direct connection between economic globalization, its behavioral manifestations, and the negative effects these practical embodiments have for citizenship, or membership, in domestic communities. Its authors link current economic crises in Europe to the deterioration of "social citizenship rights," as mass unemployment, pressures to reduce welfare benefits, and a decreased receptivity to migrant labor have spelt a marked restriction in social inclusion.<sup>xxviii</sup> In Mexico, too, as a result of the austerity programs of the early 1980s onwards-- particularly following the onset of the debt crisis in 1982 and later the drop in the peso in 1994--unprecedented numbers became suddenly jobless.

In France the unemployed, who, with migrants, make up the marginalized sector of society, are labelled, literally, the "excluded"<sup>xxix</sup>; while in Mexico, one scholar claimed that, "a central characteristic of liberalization has been the vast exclusion of the population attempting to enter the formal economy," to say nothing of the disenfranchisement of the unemployed.<sup>xxx</sup>



## **The Chinese Case**

### *A Limited Global Engagement*

Unlike the member states of the European Union or a major Latin American player such as Mexico, which have all been at the center of the stage of global activity and vulnerable to its vagaries for nearly two decades in one way or another, up through 1999 China was a nation only partially--if, granted, increasingly--participant in the world economy. And yet its story demonstrates that the tenets of globalization and its seeming promise have become so enticing, and also so ineluctable, that a country not yet wholly subject to its actual dynamics and pressures may still fall virtually captive to its consequences by will.

After the Communist Party takeover of 1949, its leaders shunned or were shunned by much of the Western world, and its chief economic foreign partners were the Soviet Union and other socialist economies for its first decade in power. With the split with the Soviets after 1960, China's principal ties were with the Third World, and with a few individual capitalist countries. Its continuing isolation from the core of international economic activity in the early 1970s enabled it to escape the early onslaught of the processes of globalization. For China was involved neither in the breakdown of Bretton Woods nor in the two oil price shocks of the decade.

At the end of 1978, when its own oil production reached a plateau, China did not suffer from the price rises affecting the rest of the world. The leadership simply suddenly discontinued a quite sizable planned and contracted importation of large-scale foreign plant projects, mainly because of the huge amounts of energy their operation would demand.<sup>xxx</sup> This peaking of oil production was one factor in China's shift to an outward-oriented, market strategy after 1978. For the country's embarkation then upon a massive manufacture of light industrial goods for export<sup>xxxii</sup> conveniently meant less of a demand for energy.<sup>xxxiii</sup>

Thus, within two years after the 1976 death of the fiercely ideological Mao Zedong, the more pragmatic Deng Xiaoping ushered in China's much publicized "opening up" of its national economy, a move made possible by the discrediting of most of Mao's leftist policies upon his passing. Nonetheless, in several important respects this economy long afterward remained less "globalized" than those of other countries with comparably developed economies. Even in the midst of the Asian financial crisis of 1997-98, China was less at the mercy of threatening international economic pressures than elsewhere in East Asia. This owed much to the continuing nonconvertibility of its currency on the capital account (the current account having become convertible in 1996).

Too, its foreign debt--though by no means negligible--was quite manageable and surely not a spur to revamping domestic economic arrangements. A recent World Bank report, in fact, speaks of China's "improved creditworthiness," which has made it "the main beneficiary of syndicated lending to developing countries." The report also notes that despite the steady increase in its external debt (at about \$130 billion at year's end 1996), the country's strong macroeconomic performance affords it excellent debt indicators, at less than half the average among developing countries and, indeed, among the lowest in the entire region.<sup>xxxiv</sup> Besides, its huge foreign exchange reserves, amounting to about US\$140 billion at the end of 1997, and its favorable international balance of payments secure it further.<sup>xxxv</sup>

Perhaps most importantly, its long-time low-cost domestic consumer economy and accompanying relatively stable, low-wage structure has meant that ever since the leadership invited in foreign firms in 1979 up until very recently, there has been negligible competition from cheap foreign labor or foreign consumer products priced below those available from China. Indeed, on the eve of the Asian crisis China had already taken over the labor-intensive market for manufactured exports from South Korea, Taiwan and Hong Kong.<sup>xxxvi</sup>

Moreover, though it is likely to do so very soon, China has yet to become a member of the WTO (in part because of its retention of some key features of a socialist economy, which include protection for state-owned enterprises, and in part because the U.S. in particular persistently demanded additional reforms before it would admit the country in). Thus, despite its steady elimination and reduction of tariffs,<sup>xxxvii</sup> it has been relatively less subject than many other places to the fully dismantled trade barriers driving a good deal of international competition. And the huge, underemployed rural workforce available to fill the many niches for low-skill labor in this yet developing economy--as in simple construction, personal services, marketing, and assembly-line manufacture--obviates any need for foreign, immigrant workers.<sup>xxxviii</sup>

So in general, for the above reasons, China's leaders were under fewer constraints from abroad (at least up through 1997 and the advent of the Asian financial crisis)--as compared with places where national debts appear insurmountable, competition from abroad fierce, and the pressure from international and regional associations to cut deficits inescapable--to balance budgets, reduce deficits, fight against inflation, install low-cost, competitive labor markets, and do battle in the market for export promotion and for outside investment. And yet they undertook these measures nonetheless, at least in part to qualify for global membership, to join the "globalized" elite. As stated in an interview with Long Yongtu, chief WTO negotiator, China..must secure its place in this economic united nations..The days when China was chronically excluded from the mainstream of the world economy must come to an end.<sup>xxxix</sup>

Thus for China the ideational component of globalization has been at least as significant as the material one in propelling its policy choices. What for 13 years seemed just an elusive vision, membership in the WTO--in large part for the prestige and acceptance it would bring,<sup>xl</sup>--even without actually joining, increasingly acted as an inducement to domestic change.<sup>xli</sup> In short, at least up through 1997, unlike in places such as France and Mexico, where external prods operated in addition to the imagined promises of participation to produce globalized behavior, for China material spurs from outside were not the motivating forces in the adoption of neoliberal policies. This is

what I have labeled China's "virtual globalization": globalized conduct in the absence of a number of the key forms of global economic participation and pressure.

*Parallel Symptoms with Fully Globalized Places, But Different Causes*

What has this virtually globalized economic conduct consisted in? In the first place, there is the selfsame search for developing flexible labor, competitive strategies, and efficiency. Remarkably, China's ex-Premier Li Peng, speaking to the Ninth National People's Congress in March 1998, picked up the global jargon without a flaw. In various segments of his speech, he stated that, "The government will encourage the establishment of large enterprise groups to in order to increase their competitiveness in both domestic and foreign markets"; "We should continue to implement..preferential policies that support enterprises when they carry out mergers and bankruptcies and try to increase efficiency through reducing staff size"; and "We should make sure that..smaller enterprises..can adapt themselves to the market in a more flexible way."<sup>xlii</sup> [emphasis added]

The management of Chinese labor has become increasingly flexible, beginning with a 1986 Regulation on Labor Contracts. This ruling represented an initial move away from the permanent, full-employment system for urban workers that had obtained since the 1950s, as China made more and more of a move away from socialism. That measure was followed by a Regulation on the Employment of Staff and Workers, intended to reform the recruitment system from the long-term socialist one based upon administrative allocation of labor to arrangements that would offer firms more autonomy in defining criteria for hiring; and a Regulation on Discharging Employees, for the first time giving the enterprises the power to dismiss workers.<sup>xliii</sup> In July 1994 the Eighth Session of the Standing Committee of the Eighth National People's Congress passed a new Labor Law, which granted firms freedom to fire: its Article 27 stated they could shed workers if near bankruptcy or in serious difficulty.<sup>xliv</sup> But none of these

promulgations derived from compulsion from foreign investors; rather, they were part of the Chinese authorities' own political decision to move toward neoliberal strategies in running their economy.

Once China becomes a member of the WTO, the mandatory elimination of tariffs will surely expose its producers to severely intensified international competition.<sup>xiv</sup> But this has not yet been the case. And yet the global climate enshrining market principles has infected Chinese policymakers and, in turn, Chinese managers, as firms of all types have taken a stiffer stance toward labor under a much heightened pressure for profits.<sup>xvi</sup> In the late 1990s, however, when the official domestic media proclaimed that, "Market competition has forced state enterprises to discharge large numbers of workers,"<sup>xvii</sup> the principal rivals were not firms abroad. Indeed, domestic firms have actually been protected from international competition through the 1990s.<sup>xviii</sup> Up until about 1993 or even 1996, largely out of a concern with maintaining urban stability, the regime continued to enforce a gradualist approach to tampering with the entitlements and security of the hallowed state sector.<sup>xix</sup> \_\_\_\_\_

<sup>i</sup>For a small but critical segment of the literature on globalization in recent years, see Suzanne Berger and Ronald Dore, eds., National Diversity and Global Capitalism (Ithaca: Cornell University Press, 1996); James H. Mittelman, ed., Globalization: Critical Reflections (Boulder: Lynne Rienner, 1996); William Greider, One World Ready or Not: The Manic Logic of Global Capitalism (New York: Simon & Schuster, 1997); Philip Gummett, ed., globalization and Public Policy (Cheltenham, U.K.: Edward Elgar, 1996); DaniRodrik, Has Globalization Gone Too Far? (Washington, D.C.: Institute for International Economics, 1997); and David A. Smith and JozsefBorocz, eds., A New World Order? Global Transformations in the Late Twentieth Century (Westport, CT: Greenwood Press, 1995).

<sup>ii</sup>YaseminNuhogluSoysal,Limits of Citizenship: Migrants and Postnational Membership in Europe. Chicago: University of Chicago Press, 1994, pp. 3, 12.

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<sup>iii</sup>James F. Hollifield, Immigrants, Markets, and States: The Political Economy of Postwar Europe (Cambridge: Harvard University Press, 1992), pp. 170, 216; there is a similar argument made in Wayne A. Cornelius, Philip L. Martin, and James F. Hollifield, "Introduction: The Ambivalent Quest for Immigration Control," in Wayne A. Cornelius, Philip L. Martin, & James F. Hollifield, eds., Controlling Immigration: A Global Perspective (Stanford: Stanford University Press, 1995), pp. 3-41.

<sup>iv</sup>David Jacobson, "New Border Customs: Migration and the Changing Role of the State," UCLA Journal of International Law and Foreign Affairs 3:2 (Fall/Winter 1998-1999), p. 453; also see David Jacobsen, Rights Across Borders: Immigration and the Decline of Citizenship (Baltimore: Johns Hopkins University Press, 1996).

<sup>v</sup>See Gustavo V. del Castillo, "NAFTA and the Struggle for Neoliberalism: Mexico's Elusive Quest for First World Status," in Gerardo Otero, ed, Neoliberalism Revisited: Economic Restructuring and Mexico's Political Future (Boulder: Westview Press, 1996), p. 28; and Richard Jackman, "The Impact of the European Union on Unemployment and Unemployment Policy," in David Hine and Hussein Kassim, Beyond the Market: The EU and national social policy (London: Routledge, 1998), p. 69, Bernard H. Moss, "After the Auroux Laws: Employers, Industrial Relations and the Right in France," West European Politics 11:1, January 1988, p. 71, and Anthony Daley, "The Steel Crisis and Labor Politics in France and the United States," in Miriam Golden and Jonas Pontusson, eds., Bargaining for Change: Union Politics in North America and Europe (Ithaca: Cornell University Press, 1992), p. 175 on how France's joining first the European Coal and Steel Community, then the Common Market, and finally the

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European Monetary System has dictated its domestic economic policies at different junctures.

<sup>vi</sup>On the pressures on Mexico in 1982 and thereafter, see Peter Morici, "Grasping the Benefits of NAFTA, Current History, (hereafter CH), No. 2 (1993), p. 49; Judith A. Teichman, Privatization and Political Change in Mexico (Pittsburgh: University of Pittsburgh Press, 1995), p. 70, and Ruth Berins Collier, The Contradictory Alliance: State-Labor Relations and Regime Change in Mexico (Berkeley: International and Area Studies, University of California, Research Series Number 83, 1992), Chapter Five; for those on France beginning in the mid-1970's and intensifying by the early 1980's, see W. Rand Smith, "Unemployment and the Left Coalition in France and Spain," in Nancy Bermeo, ed., "Unemployment in Southern Europe: Coping with the Consequences." Forthcoming.ms. version; Jonah D. Levy, "France: Directing Adjustment", paper presented to the international research project on "The Adjustment of National Employment Policy and Social Policy to Internationalization," organized by Fritz Scharpf and Vivien Schmidt, Ringberg Castle, Germany, 17-20 February 1999. Preliminary Draft; and Robert Boyer, "Wage Labor, Capital Accumulation, and the Crisis, 1968-82," in Mark Kesselman, ed., with the assistance of Guy Groux, The French Workers' Movement: Economic Crisis and Political Change (London: George Allen & Unwin, 1984), pp. 17-38.

<sup>vii</sup>James F. Rochlin, Redefining Mexican "Security" (Boulder: Lynne Rienner, 1997), pp. 64, 179.

<sup>viii</sup>W. Rand, Smith, "Industrial Crisis and the Left: Adjustment Strategies in socialist France and Spain," Comparative Politics (October 1995), 18.

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<sup>ix</sup>Until the Asian financial crisis beginning in late 1997 there was no competition, to speak of.

<sup>x</sup>In September 1997, at the Chinese Communist Party's Fifteenth Congress, a program calling for these measures was announced and the results were immediate. For coverage and official statements, see Summary of World Broadcasts (hereafter SWB), FE/3023 (September 13, 1997), p. S1/1, from Chinese Central Television, September 12, and SWB, FE/3024 (September 15, 1997), p. S2/18, from Xinhua [New China News Agency, the official Chinese news agency, hereafter XH], September 14, 1997. But the reforms enunciated then were in the works months before the Asian financial crisis broke, and so were not a result of it. At a January 1997 State Council National Work Conference on State Enterprise Staff and Workers' Reemployment, attendees were told that solving their firms' difficulties depended upon enterprise reform, system transformation, cutting staff, normalizing bankruptcies, and encouraging mergers. See Yang Yiyong et al., Shiyechongjibo [The shock wave of unemployment] (Beijing: Jinrizhongguochubanshe, 1997), p. 220.

<sup>xi</sup>Vivien A. Schmidt, "Democracy at Risk? France, Great Britain and Germany Between Globalization and Europeanization," in David A. Smith, Dorothy J. Solinger, and Steven Topik, States and Sovereignty in the Global Economy (London: Routledge, 1999); Leo Panitch, "Rethinking the Role of the State," in James Mittelman, Globalization, pp. 83-4; Robert Boyer and Daniel Drache, "Introduction," in Robert Boyer and Daniel Drache, States Against Markets: The Limits of Globalization (London: Routledge, 1997), pp. 1-27; and Ramesh Mishra, "The Welfare of Nations," in Boyer and Drache, States Against Markets, p. 316.



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<sup>xii</sup>John Eatwell, "Unemployment on a World Scale," in John Eatwell, ed., Global Unemployment: Loss of Jobs in the 1990's (Armonk, M.E. Sharpe, 1996), pp. 3-20; and Robert Boyer, "State and Market: A New Engagement for the Twenty-First Century?" in Boyer and Drache, States Against Markets, p. 91.

<sup>xiii</sup>Valerie Symes, Unemployment in Europe: Problems and Policies (London: Routledge, 1995), pp. 4-5.

<sup>xiv</sup>Robert Boyer, "Wage/Labour Relations, Growth, and Crisis: A Hidden Dialectic," in Robert Boyer, ed., The Search for Labour Market Flexibility: The European Economies in Transition (Oxford: Clarendon Press, 1988), p. 21; Harold Chorney, "Debts, Deficits and Full Employment," in Boyer and Drache, States Against Markets, p. 363; and Eatwell, "Unemployment," p. 3.

<sup>xv</sup>Boyer and Drache, "Introduction," pp. 19, 20; Boyer, "State and Market," p. 85.

<sup>xvi</sup>Boyer and Drache, "Introduction," pp. 1, 7-9, 19; Daniel Drache, "From Keynes to K-Mart: Competitiveness in a Corporate Age," in Boyer and Drache, States Against Markets, pp. 32, 42-43, 47-49; Symes, Unemployment in Europe, pp. 4-5, 21; Eatwell, "Unemployment," p. 4; Boyer, "State and Market," p. 87; Boyer, "Wage/Labour," p. 21; Pascal Petit, "Problems of the State in Dealing with the System of Wage/Labour Relations: The Case of France," in Boyer, The Search, p. 49; and Guy Standing, "Labor Insecurity through Market Regulation: Legacy of the 1980s, Challenge for the 1990s," in Katherine McFate, Roger Lawson, William Julius Wilson, Poverty, Inequality and the Future of Social Policy (New York: Russell Sage Foundation, 1995), pp. 153, 164.

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<sup>xvii</sup>Saskia Sassen, The Mobility of Labor and Capital (Cambridge: Cambridge University Press, 1988), pp. 22-27; Standing, "Labor Insecurity," p. 164; Symes, Unemployment in Europe, p. 7, and Paul Krugman, "First, Do No Harm," Foreign Affairs 75:4, July/August 1996, p. 166.

<sup>xviii</sup>Standing, "Labor Insecurity," pp. 153, 157, 163-68; Boyer and Drache, "Introduction," p. 18; Katherine McFate, "Introduction; Western States in the New World Order," in McFate, Lawson, and Wilson, Poverty, 7-8; Boyer, "Growth and Crisis," p. 25; and Petit, "Problems," p. 49; and Robert Boyer, "Division or Unity? Decline or Recovery?" in Boyer, The Search, p. 212.

<sup>xix</sup>Hollifield, Immigrants; and Ian Gordon, "The Impact of Economic Change on Minorities and Migrants in Western Europe," in McFate, Lawson, and Wilson, Poverty, p. 525.

<sup>xx</sup>Jacobsen, Rights Across Borders; Soysal, Limits of Citizenship; and Hollifield, Immigrants.

<sup>xxi</sup>Standing, "Labor Insecurity," p. 153; Gordon-Betcherman, "Globalization, Labor Markets and Public Policy," in Boyer and Drache, States Against Markets, p. 255; Drache, "From Keynes," p. 31.

<sup>xxii</sup>Standing, "Labor Insecurity," p. 164; Symes, Unemployment in Europe, pp. 4-5; Boyer, "State and Market," p. 91. By 1994, the numbers of the unemployed in OECD countries had risen from just over 10 million in 1974 to 35 million, according to Chorney, "Debts, Deficits," p. 373; by 1994, it could be said that unemployment within European Union member nations had risen "more or less continuously" for 15 years (Symes, Unemployment in Europe, p. 1).

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<sup>xxiii</sup>See Sassen, The Mobility of Capital, pp. 39, 47.

<sup>xxiv</sup>See also Gordon, "The Impact," pp. 521, 525 notes a "continuing perception that particular ethnic groups [in particular, the descendants of postwar labor migrants, who are seen as 'outsiders'] do not 'belong' and may appropriately be treated differently." Craig R. Whitney, "French Jobless Find the World is Harsher," New York Times, March 19, 1998, A6 states that "Many of the longterm unemployed feel 'excluded,' a word that in French means being outside normal society and carries the connotation of alienation and poverty." See also Thomas Faist and Hartmut Häußermann. "Immigration, Social Citizenship and Housing in Germany," International Journal of Urban and Regional Research 20:1 (1996), pp. 83-98, on the denial of welfare rights to migrants in Western Europe and North America since the mid-1970's.

<sup>xxv</sup>McFate, "Introduction," p. 14.

<sup>xxvi</sup>T. H. Marshall, Sociology at the Crossroads and Other Essays (London: Heinemann, 1963), pp. 87, 73-77. For similar usages, Bryan S. Turner, in "Contemporary Problems in the Theory of Citizenship," in Bryan S. Turner, ed. Citizenship and Social Theory (London: SAGE Publications, 1993), p. 2 defines "the modern question of citizenship" as being "structured by two issues": the nature of social membership and problems of the efficient and equal allocation of resources. See also Derek Heater, Citizenship: The Civic Ideal in World History, Politics and Education (London: Longman, 1990); Bryan S. Turner, Citizenship and Capitalism: The Debate Over Reformism (London: Allen & Unwin, 1986); Rogers Brubaker, Citizenship and Nationhood in France and Germany (Cambridge: Harvard University Press, 1992); and J. M. Barbalet, Citizenship: Rights, Struggle and Class Inequality (Milton Keynes: Open University Press, 1988), p. 2.

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<sup>xxvii</sup>Judith N. Shklar, American Citizenship: The Quest for Inclusion (Cambridge: Harvard University Press, 1991), pp. 1-3.

<sup>xxviii</sup>McFate, "Introduction," p. 13, and Roger Lawson and William Julius Wilson, "Poverty, Social Rights, and the Quality of Citizenship," in McFate, Lawson and Wilson, Poverty, p. 712.

<sup>xxix</sup>Mark Kesselman, "Does the French Labor Movement Have a Future?" in John T.S. Keeler and Martin A. Schain, eds., Chirac's Challenge: Liberalization, Europeanization, and Malaise in France (New York: St. Martin's Press, 1996), p. 154.

<sup>xxx</sup>Enrique Dussel Peters, "From Export-Oriented to Import-Oriented Industrialization: Changes in Mexico's Manufacturing Sector, 1988-1994," in Gerardo Otero, ed, Neoliberalism Revisited: Economic Restructuring and Mexico's Political Future (Boulder: Westview Press, 1996), p. 80.

<sup>xxxi</sup>Shigeru Ishikawa, "Sino-Japanese Economic Cooperation," The China Quarterly (hereafter CQ), 109 (1987), p. 12.

<sup>xxxii</sup>Bruce Cumings, "The Political Economy of China's Turn Outward," in Samuel S. Kim, ed., China and the World (Boulder: Westview Press, 1984), p. 242, and Dorothy J. Solinger, From Lathes to Looms: China's Industrial Policy in Comparative Perspective (Stanford: Stanford University Press, 1991).

<sup>xxxiii</sup>Dwight H. Perkins, China: Asia's Next Economic Giant? (Seattle: University of Washington Press, 1986), pp. 50-51.

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<sup>xxxiv</sup>The World Bank, China 2020: China Engaged, Integration with the Global Economy (Washington, D.C.: The World Bank, 1997), p. 25. As a Chinese source explained, contrasting China's debts with those in Southeast Asia, "China's debts are domestic loans..and its foreign debts are mainly long-term loans granted by international financial institutes, including the World Bank," in SWB, FE/3170 (3/9/98), p. S1/3, from Sing Tao JihPao (hereafter STJP) (Hong Kong),3/7/98, p. A3.

<sup>xxxv</sup>SWB, FE/3168 (3/6/98), p. S2/1, from XH, 3/4/98.

<sup>xxxvi</sup>Dwight Perkins, "Prospects for China's Integration into the Global Economy," in Joint Economic Committee, Congress of the United States, ed., China's Economic Future: Challenges to U.S. Policy (Armonk, NY: M.E. Sharpe, 1997), p. 35.

<sup>xxxvii</sup>Peter Morici, "Barring Entry? China and the WTO," CH September/1997, p. 276. By August 1999, the average rate was 17 percent. See SWB, FE/3605, 8/5/99, p. G/11, from XH, 8/3,99.

<sup>xxxviii</sup>At the Fifteenth Party Congress in September 1997, then-Minister of Labor Li Boyong referred to "approximately 130 million peasants" who had "become idle in the rural areas." See SWB, FE/3024, 9/15/97), p. S2/18, from XH, 9/14/97).

<sup>xxxix</sup>SWB, FE/3695, 11/18/99, p. G/2, from Central Chinese TV, 11/16/99.

<sup>xl</sup>The market access it would afford Chinese textiles and apparel and the competitive jolt it would provide to failing firms are also important factors.

<sup>xli</sup>Morici, "Barring Entry," pp. 274-77; George D. Holliday, "China and the World Trade Organization," in Joint Economic Committee, China's Economic Future."

<sup>xlii</sup>SWB, FE/3168 (3/6/98), p. S1/9, from XH, 3/5/98.

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<sup>xliii</sup>Lin Lean Lim and GyorgySziraczki, "Employment, Social Security, and Enterprise Reforms in China," in Gregory K. Schoepfle, ed., Changes in China's Labor Market: Implications for the Future (Washington, D.C.: U.S. Department of Labor, Bureau of International Labor Affairs, 1996), p. 50.

<sup>xliv</sup>Translated in U.S Foreign Broadcast Information Service (hereafter FBIS), July 19, 1994, 18-26, from XH, July 5, 1994. See also James V. Feinerman, "The Past--and Future--of Labor Law in China," in Schoepfle, Changes, pp. 119-34.

<sup>xlv</sup>Holliday, "China and the World Trade Organization," pp. 452, 467-68.

<sup>xlvi</sup>Mary Gallagher, "An Unequal Battle: Why Labor Laws & Regulations Fail to Protect Workers," China Rights Forum (hereafter CRF), Summer 1997, p. 12. See also Minghua Zhao and Theo Nichols, "Management Control of Labour in State-Owned Enterprises: Cases from the Textile Industry," The China Journal (hereafter CJ) 36 (1996), pp. 1-21; William A. Byrd, The Market Mechanism and Economic Reforms in China (Armonk, NY: M.E. Sharpe, 1991), 112-19.

<sup>xlvii</sup>SWB, FE/3136 (1/28/98), p. S/2, from Liaowang [Outlook], 1/5/98.

<sup>xlviii</sup>Barry Naughton, "China's Emergence and Prospects as a Trading Nation," Brookings Papers on Economic Activity 2 (1996), p. 287.

<sup>xlix</sup>From 1979 through the mid-1990s the practice was to succor on the original workers, via an array of disparate strategies over the years: first by retirements that permitted their own offspring to take their spots, then by the formation of "labor service

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companies" that provided job training and job creation, next by insisting that firms "redeploy" their redundant workers within their own firms by retraining them and/or by creating new affiliated enterprises (along with restrictions against dismissing workers, even if there was no work for them and little or no pay<sup>xlix</sup>). According to the South China Morning Post, March 9, 1997, the Ministry of Labor admitted at the annual session of the National People's Congress that about 10 million state firm workers had not been paid or were being underpaid. But one delegate countered this figure, putting the total at 25 million, including 19 million who were surviving on a low income.

Kernen, op. cit., 9, states that as of 1997 in the northeastern city of Shenyang only five percent of the firms were paying workers' salaries on a regular basis!), and eventually, in 1995, by a national Reemployment Program that offered tax and loan incentives for developing new avenues of work for surplus labor. See Naughton, "The Emergence," pp. 287, 289; Leonard J. Hausman and Barry J. Friedman, "Employment Creation: New and Old Methods." Unpublished ms. (n.p., n.d. [1996 or 1997]), p. 43; Barry L. Friedman, "Employment and Social Protection Policies in China: Big Reforms and Limited Outcomes," in Schoepfle, *Changes*, pp. 151-66; Harry G. Broadman, "Reform of China's State-Owned Enterprises," in Schoepfle, *Changes*; Lim and Sziraczki, "Employment,"; Loraine A. West, "The Changing Effects of Economic Reform on Rural and Urban Employment." Paper to be presented at "Unintended Social Consequences of Chinese Economic Reform" conference, Harvard School of Public Health and the The Fairbank Center for East Asian Studies, Harvard University, May 23-24, 1997 (draft); Feinerman, "The Past,"; Hilary K. Josephs, "Labor Law Reflects New Realities," CRF, Fall 1996, p. 25, and Christine P.W. Wong, Christopher Heady, and Wing T. Woo, *Fiscal Management and Economic Reform in the People's Republic of China (Hong Kong: Oxford University Press, 1995)*, p. 14.

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Instead, the old state-owned enterprises, which were made to perform as comprehensive welfare communities as well as production entities through about 1997,<sup>xlix</sup> Andrew G. Walder, Communist Neo-Traditionalism: Work and Authority in Chinese Industry (Berkeley: University of California Press, 1986), pp. 40-43, 56-68. were forced since economic market reforms began in the early 1980s to face “collective,” private, and foreign-invested firms within China, which are much less or not at all encumbered by welfare responsibilities.<sup>xlix</sup> Antoine Kernen, “Surviving Reform in Shenyang--New Poverty in Pioneer City,” CRF, Summer 1997, p. 11; see also Barry Naughton, “Implications of the State Monopoly over Industry and its Relaxation,” Modern China (hereafter MC) 18: 1 (1992), pp. 14-41; and Broadman, “Reform,” pp. 4-5. “Collective” firms are in name owned by neighborhoods or rural administrations, sometimes by groups of rural citizens. Thus, over the years the state-owned sector’s share of industrial output dropped from 80 percent in 1978 down to under 30 percent as of 1999, according to a leading Chinese economist.<sup>xlix</sup> Interview with Hu Angang in SWB, FE/3514, 4/21/99, p. G/6, from Gangaojingji [Lever economics], 3/1/99.

Another growing source of rivalry, for city workers at least, are the rural migrant workers who increasingly received permission to walk off the land for the first time in over two decades after 1983.<sup>xlix</sup> According to then-Minister of Labor Li Boyong, speaking in late 1997, these former peasants “may compete with urbanites for jobs.” See SWB, FE/3024 (9/15/97), p. S2/18, from XH, 9/14/97, and Dorothy J. Solinger, Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market (Berkeley: University of California Press, 1999). Once in the cities, as “flexible” as any foreign migrant laborers in other countries, they generally garner few if any benefits and in many cases labor under working conditions resembling those of early capitalism in the West.<sup>xlix</sup> Dorothy J. Solinger, “The Chinese Work Unit and



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Transient Labor in the Transition from Socialism," MC 21: 2 (1995), pp. 155-83. And with the drive for high returns, such drudges appear increasingly attractive even to state enterprise management.<sup>xlix</sup> Sun Changmin, "Floating Population in Shanghai: A Perspective of Social Transformation in China," in Thomas Scharping, ed., Floating Population and Migration in China: The Impact of Economic Reforms (Hamburg: Institut fur Asienkunde, 1997), p. 210.

Lastly, the campaign to attain efficiency could also be a product of conforming to international stimuli, since external competition compels more efficient operations.<sup>xlix</sup> Holliday, "China and the World Trade Organization," pp. 452, 467-68. But the official Chinese commitment to "increase efficiency by downsizing staff," in order to prod firms to cut down on their losses,<sup>xlix</sup> For instance, SWB, FE/3104 (12/14/97), p. S1/1, from Renminribao [People's Daily] (Beijing), 9/14/97. is, again, a reference to internal considerations. As we will see below, enterprise losses have largely been the result of state policy. For instance, the persisting "soft-budget constraint"<sup>xlix</sup> This term was coined by Janos Kornai, in The Socialist System: The Political Economy of Communism (Princeton: Princeton University Press, 1992).

despite economic reforms allows firms to distribute wage increases not commensurate with improvements in labor productivity.<sup>xlix</sup> See Stephen J. McGurk, review of Barry Naughton's Growing Out of the Plan, in CJ 39 (1998), p. 126. Indeed, China's entire economic reform program, predicated on the notion that decentralizing management and financial authority to firms and local governments would spur economic growth, allowed enterprises to borrow from local bank branches with impunity, fueling a spree unstoppable for years of "over-consumption and over-investment."<sup>xlix</sup> See Wing Thye Woo, "Crises and Institutional Evolution in China's Industrial Sector," Joint Economic Committee, China's Economic Future, pp. 165, 167

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and Edward S. Steinfeld, Forging Reform in China: The Fate of State-Owned Industry (Cambridge: Cambridge University Press), 1998). Policymakers have been hoping since 1997 to erase the resultant losses by dismissing workers.

Regardless of the domestic impetus for these moves--inspired more by ideas, domestic economic and political considerations, and a yearning for membership than from direct economic pressures from abroad--the consequences for the populace are in some ways similar to those in places more actually globalized. For instance, the textile sector--chosen by the State Council as the breakthrough point in a campaign to "reform" the state-owned sector--was ordered to slash 1.2 million jobs over the years 1998-2000, in the hopes of cutting losses and even generating profits.<sup>xlix</sup>SWB, FE/3135 (1/27/98), p. S1/3, from XH, 1/23/98; and SWB, FE/3111, 12/29/97, p. S1/3, from XH, 1/26/97. In 1998, under the influence of this same impetus, Liaoning province decided to let 100 state firms go bankrupt or be merged while another hundred were to reduce their employees.<sup>xlix</sup>SWB, FE/3143 (2/5/98), p. G/3, from STJP, 2/4/98.

More broadly, this drive for competitiveness, flexibility and efficiency has sparked a surge in enterprise bankruptcies since 1997.<sup>xlix</sup>Into the 1990s only a scant number of bankruptcies were permitted to occur (see Leonard J. Hausman and Barry J. Friedman, "Employment Creation: New and Old Methods." Unpublished ms. (n.p., n.d. [1996 or 1997]), p. 36). But a sharp increase in numbers took place in 1996 and 1997, with over 9,000 firms reportedly applying for bankruptcy in the one month of September 1997, when the Communist Party's Fifteenth Congress announced an acceleration of reforms in state firms. See Hang-Sheng Cheng, "A Mid-Course Assessment of China's Economic Reform," in Joint Economic Committee, China's Economic Future, pp. 29-30; West, "The Changing Effects," p. 6; and Lo Ping, "Wenjiantoulouqigaixianpingjing" [Document Reveals Enterprises in a Bottleneck] Zheng

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Ming [Contend], No. 12 (1997), p. 17. An official source claimed that 675 state enterprises were declared bankrupt and closed in China in 1997 (SWB, FE/3168 (3/6/98), p. S2/1, from XH, 3/4/98).

But, given policies to minister to the needs of workers from bankrupt firms-- after the costs of the proceedings are paid off, the workers and retirees of a firm have the first claim on any remnant assets of the firm<sup>xlixlix</sup> West, "The Changing Effects," p. 8.--the actual numbers of bankrupt firms reveal only a fraction of the story.

More telling are the very inconclusive figures of unemployed and laid-off workers. Because of each firm's responsibility to see to the future of its own displaced workers, a range of disguised forms of unemployment have emerged under various names, including early retirements and long "holidays," often entailing drastic reductions in benefits and significant underpayment or non-payment of wages, but without calling the worker "unemployed."<sup>xlixlix</sup> On this, see Andrew Watson, "Enterprise Reform and Employment Change in Shaanxi Province," paper presented at the annual meeting of the Association for Asian Studies, Washington, D.C., March 28, 1998, pp. 15-16. See also Kernen, "Surviving Reform," p. 9. As of the end of 1997, some 11 or 12 million urban workers were said to be laid-off,<sup>xlixlix</sup> According to Ming Pao [Bright Daily] (hereafter MP) (Hong Kong), December 20, 1997, p. A11 (in SWB, FE/3109, 12/23/97, p. S1/1), the State Statistical Bureau had offered a figure of about 11 million; Liaowang, January 5, 1998 (in SWB, FE/3136, 1/28/98, p. S1/2) states 13 million laid-off workers and staff as of the end of 1997, and the Ping KuoJihPao [Apple Daily] (Hong Kong), 1/29/98, p. A15, in SWB, FE/3141, 2/3/98, p. G/8 gives what it calls an "official figure" of 12 million. Chinese Academy of Social Science scholar Hu Angang claimed that the "actual urban jobless" numbered from 11 to 13 million, and that the actual unemployment rate was therefore about seven percent, over twice the usual reported

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rate of around three percent. Hu's remarks are in MP, February 18, 1998, A13, reprinted in SWB, FE/3155, 2/19/98, p. G/13. which amounted to double the figure for the registered unemployed.<sup>xlix</sup> Lim and Sziraczki, "Employment," p. 49, explains that only workers with an urban household registration who are not on forced leave are counted as registered. But according to a mid-1999 report, government officials believe that the real number of workers who should be counted as unemployed--including all those currently labelled "as waiting for work" but not included in the unemployed statistics--would be about 100 million.<sup>xlix</sup> William H. Overholt, "China in the Balance," Nomura Strategy Paper, Hong Kong, May 12, 1999.

In China, most of these developments occurred during an era of generally rampant economic growth--between 1984 and 1995, China's real gross domestic product grew by an average of 10.2 percent annually, and in 1993, the year when the moves to lay off workers got underway with some vigor, up 13.4 percent (with industry increasing at a rate of over 20 percent, according to official Chinese statistics<sup>xlix</sup> Naughton, "The Emergence," pp. 285, 273; Barry Naughton, Growing Out of the Plan: Chinese Economic Reforms, 1978-1993 (New York: Cambridge University Press, 1995), p. 297.). China did experience two harsh austerity programs that eventually worked to set radical change in motion. But unlike in other, more truly globalized places, these were both the product of leadership decisions taken on domestic grounds, with political factors playing a heavy role.

The first program was installed under the direction of the more reform-shy, conservative, pro-planning faction in the wake of the Tiananmen denouement of 1989. For these politicians briefly having the upper hand understood the demonstrations as having been largely sparked by popular dissatisfaction with the inflation produced by a decade of market reforms.<sup>xlix</sup> Naughton, Growing, p. 286. And the second episode

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was launched by then-Vice Premier (now Premier, since March 1998) Zhu Rongji in mid-1993. That time the cutbacks were undertaken in response to what for post-1949 China was deemed to be runaway inflation, the result of a stepped-up regimen of reforming and economic growth given impetus by then-preeminent leader Deng Xiaoping in early 1992.<sup>xlix</sup> Naughton, "The Emergence," p. 294; and Wing, "Crisis," pp. 164-65. See also Naughton, Growing, pp. 274-300. Because of the stiff curtailment of access to guaranteed credit for state firms under both austerity programs, losses in state enterprises rose significantly.

In 1989 and 1990, total losses doubled each year.<sup>xlix</sup> Naughton, Growing, pp. 286-87.; after a 1991 relaxation and followed by 1992's pro-growth prodding, the second program led to almost half the state firms showing operating losses in 1994 and 1995. By 1996, 45 percent of the state sector was operating at a loss; for the first time state firms collectively lost more money than they took in. Industrial operating losses in state-owned firms amounted then to 53 billion yuan,<sup>xlix</sup> A Chinese yuan is equal to about \$.12 U.S. up more than a third over the year before, with 12,000 enterprises the victim of long-standing deficits. At that point about one fifth of the business of banks consisted of uncollectible loans, the effect of the vulnerability of state bankers to continual requests by failing firms for operating capital.<sup>xlix</sup> West, "The Changing Effects," p. 6; see also Lo, "Wenjian," p. 17.

But, given continuing high level growth and excellent prospects in the global economy, intensified reliance on the market and attendant flexibility in the use of labor were by no means just the product of economic threats. Rather, these decisions derived from a determination among reform-minded leaders to push China ever further toward marketization and globalization. Again, there is quite a contrast with the French or Mexican cases--where stagnation or only very low-level growth has been the norm

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for two decades and where foreign economic difficulties or demands were often a definite prod.

Thus, the impact of globalization on China's major shifts was in significant measure as incentive, ideology, or paradigm for modernity. What China experienced is more rightly labelled "virtual globalization," a largely internally generated set of effects fashioned after, but not itself directly generated by, external patterns. But the results for migrant labor and employment, for effective domestic membership and social citizenship, have been the same, or even worse in the Chinese case.

#### *Differences in Outcomes*

I have argued that China's leadership was able largely to isolate the country from the world economy, with its encumbrances, imperatives, downslides, and perils for a number of decades until Mao Zedong died; and that, even once the regime became partially connected to this economy after 1978, the direct effects for China's own domestic economy as a whole were usually not destructive or even threatening. But this certainly does not mean that the outcomes for the workforce have been salutary. As we have seen, though the causes have been different, the effects of China's urge to join the world economy--prompting its "virtual globalization"--have been similar to the effects for many workers who lost their jobs or saw working conditions grow insecure in places such as France and Mexico, where steps into the global economy were much more pressured and materially-based.

In some ways, however, China's late and partial entry into the global market itself signals trouble. For the Chinese regime's old socialist values, alliances, and

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allegiances--the culture and politics of socialism--that in one way or another accounted for that tardiness have proven far stickier and harder to outgrow or discard than have the more material practices of the old planned economy. Ironically, the superstructure has outlived the base. Indeed, these socialist patterns serve only to enhance present-day impediments to workers' welfare introduced by the new market regime. These impediments, the residue of China's socialist past, make the plight of the disenfranchised even more serious in China than they are in the more fully globalized countries.

In particular, aftereffects from three of the central institutions the nation's rulers long ago installed for implementing their socialist system linger on, even as the institutions themselves weaken and atrophy. These legacies complicate the impact of China's imperfect global involvement, putting extra limits on the rights of membership and participation for its citizens. These three institutions are the socialist-era legal system, recently revamped to appear more predictable, procedural, and just, but still quite unreliable; a workplace-cum-welfare "unit" system (the danwei), which housed and nurtured, and also closely monitored the urban workforce, though its welfare functions are now quickly slipping away; and a household registration system that from about 1961 until the early 1980s kept country people out of towns while grossly privileging only those born in cities and their own offspring (the hukou) system. Whereas the free-wheeling free-market economic practices that make for efficiency, competitiveness, and flexibility are easily incorporated into a still authoritarian regime, prior legal, management, and control systems are much more difficult to dislodge and replace.

Under the reign of Mao Zedong, from 1949 to 1976, law was considered to be a "bourgeois" construct, inapplicable--at least in its Western incarnation--to a socialist

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society.<sup>xlix</sup> Jerome Cohen, The Criminal Process in the People's Republic of China, 1949-1963 (Cambridge: Harvard University Press, 1968). Nonetheless, China's often harsh socialist version was enshrined up until the Cultural Revolution, which began in 1966. With that movement, all legal institutions were dismantled for over a decade. Although with the onset of marketizing reforms in 1979 a myriad of new laws were written to suit an economy engaging in worldwide commercial relations,<sup>xlix</sup> Pitman B. Potter, "Riding the Tiger: Legitimacy and Legal Culture in Post-Mao China," CQ, 138 (1994), pp. 325-58; and Pitman B. Potter, ed., Domestic Law Reforms in Post-Mao China (Armonk, NY: M. E. Sharpe, 1994). as of the late 1990s, the country continued to lack a legal system capable of governing a truly market-driven economy.<sup>xlix</sup> Morici, "Barring Entry?", p. 275. A pervasive rhetoric of rights is rarely realized in practice, and defendants have generally lost their cases before they begin. Moreover, the strike is illegal, as is the act of organizing a non-official union.

Indeed, an economist writing in 1997 adjudged that the "main [outstanding] issue" in the country's full integration into the world economy is "whether China will move toward a rule-based or law-based system."<sup>xlix</sup> Dwight Perkins, "Prospects for China's Integration into the Global Economy," in Joint Economic Committee, China's Economic Future, p. 37. And a legal scholar evaluating the state of the nation's legal arrangements in the mid-1990s opined that, notwithstanding the numerous laws that had been written onto the books in the preceding decade and a half, "The effectuation of many of the legal rules is, to say the least, problematic."<sup>xlix</sup> Feinerman, "The Past," p. 119. For laid-off workers and mistreated migrant laborers, all this means that the 1994 Labor Law and its promises of protection and inclusion are almost always honored only in the breach.<sup>xlix</sup> This law was adopted on July 5, 1994, at the 8th Session of the Standing Committee of the 8th National People's Congress (translated in U.S. Foreign



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Broadcast Information Service, July 19, 1994); Josephs, "Labor Law." Thus, despite the attempt to bolster legality, authoritarian and lawless habits from the past persist.

The danwei system was China's version of the socialist propensity to combine welfare with control,<sup>xlix</sup> See Walder, Communist Neo-Traditionalism, Gail E. Henderson and Myron S. Cohen, The Chinese Hospital: A Socialist Work Unit (New Haven: Yale University Press, 1984); and Xiaobo Lu and Elizabeth J. Perry, eds., Danwei: The Chinese Workunit in Historical and Comparative Perspective (Armonk, N.Y.: M.E. Sharpe, 1997). or, as Janos Kornai framed it, solicitude paired with surveillance.<sup>xlix</sup> Kornai, The Socialist System, p. 315. State-owned enterprises in the cities were variously equipped with a range of entitlements, at a minimum housing, pensions, and medical care, but at a maximum a large set of extra-curricular privileges and facilities as well. The key point for our purposes here is that, given this purely enterprise-based provision, no larger-scale system was ever designed. With the coming of market society and the for-cost and increasingly expensive provision of what was once freely granted, the welfare role of the danwei is progressively falling into tatters, and there is nothing to replace it.

Although an unemployment insurance system was established in 1986, it was meant for the new "contract" workers, the only urban workers at that time whose positions could conceivably be terminated. It was rarely put into use (since firms were enjoined to redeploy their own workers if at all possible), even after it was extended to cover all urban workers in 1993. In 1994, 1.2 million workers were reported to have drawn benefits, a figure that labor organizer Han Dongfang estimated to amount to under a third even of the official registered figure of the unemployed as of that time,<sup>xlix</sup> Barry L. Friedman, "Employment and Social Protection Policies in China: Big Reforms and Limited Outcomes, in Schoepfle, Changes, p. 157; Lim and Sziraczki,

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“Employment,” p. 60; Han Dongfang, “The Prospects of a Free Labor Movement in China,” in Schoepfle, Changes, p. 167. but two years later the number served had just risen to 1.5 million, despite the big increase in the numbers laid off by then.<sup>xlix</sup> West, “The Changing Effects,” p. 10.

Thus, even up to the present, China’s former danwei system has so far obstructed the country’s fashioning of a what one analyst has termed a workable “free-standing ‘social safety net’.”<sup>xlix</sup> Broadman, “Reform,” p. 6. This means that, while the 1994 Labor Law promises in its third article that workers will possess the right to social insurance and welfare benefits,<sup>xlix</sup> FBIS, July 19, 1994, p. 19. a worker who left his/her job even in the late 1990s also lost any social security benefits once granted by the firm.<sup>xlix</sup> Lim and Sziraczki, “Employment,” p. 52. Moreover, as more and more firms fall into debt, they not only can no longer sustain their workforces; they cannot even afford to pay into the pension and unemployment insurance funds set up in the cities. In the words of a prominent specialist on Chinese law, “The futures of workers who are laid off have been held hostage to the resources of the enterprises that laid them off.”<sup>xlix</sup> Feinerman, “The Past,” p. 129.

Even official spokespersons have recognized and lamented the rudimentary level of succor available for workers in failing firms, especially those who have been laid off, whether temporarily or altogether. At a National Labor Work Conference held at the end of 1997, the Vice Premier who then concentrated on industry, Wu Bangguo, called for “gradually establishing a social insurance system covering pension, medical, unemployment..and other aspects of a social insurance system.”<sup>xlix</sup> SWB, FE/3111 (12/17/97), p. S1/4, from XH, 12/17/97. By autumn of 1998, officials at the Ministry of Labor and Social Security admitted that it would be at least five years before the initial framework was in place; it would probably take until the year 2020 to put it totally into

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operation.<sup>xlix</sup> Interview at the Employment Section of the Ministry of Labor and Social Security, September 1, 1998, Beijing. So, as two French scholars have concluded, "As for the unemployed, they are excluded from all social advantages and protection as they are jobless."<sup>xlix</sup> Antoine Kernén and Jean-Louis Rocca, "The Reform of State-Owned Enterprises and its social Consequences in Shenyang and Liaoning. Ms.1999, p. 8.

The household registration system, or hukou, was initiated in the early 1950s, but did not become rigorous, serving as a nearly watertight barrier against peasant movement out of the countryside, until about 1961. The fully elaborated system granted steeply subsidized housing; dirt-cheap transportation; almost free medical care; rationed and underpriced food grains, water, and gas (along with many items of daily consumption); and gratis schooling to urban residents, all perquisites denied in whole or in large part to any rural people, should they be (almost always only temporarily) summoned into the cities to meet crash production targets.

For, regime leaders reasoned, the collectively-operated communes set up in the countryside in the late 1950s were charged with meeting peasants' needs (though they did so to a far more elementary degree than did the urban danwei); and, in any event, resources were to be garnered for the cities, where potential popular discontent was deemed much more serious, and where a hope of building a modernized industry and economy seemed within reach, if only the numbers of population there could be kept within strict bounds.

After 1983, the rural communes having been eliminated, peasants received the right to go into cities in search of work, but they did so on distinctly inferior terms. Even as tentative reforms of this system were discussed once the early 1990s arrived,

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and even though market reforms themselves did a great deal to undermine the underpinnings of the system, the prejudicial boundary markers around and discrimination against peasants in the cities yet persisted.<sup>xlix</sup> Solinger, Contesting Citizenship.

The aspect of this relevant to my purposes here is twofold: first of all, as noted above, migrant rural labor makes up the great bulk of the workforce in foreign-invested firms, especially those along the coast. There their willingness to toil under often seemingly intolerable circumstances effectively places these workers outside a welfare regime of any kind. And secondly, as urban managers even in Chinese state firms grew increasingly profit-conscious as the '90s wore on, they more and more turned to the recruitment of peasants migrating into town, people who could safely be hired with lesser benefits and no particular security at all.<sup>xlix</sup> Sun, "Floating Population," p. 211.

But as the numbers of laid-off and idle urbanites mounted, city officials bent on quietude clashed with firm managers hungry for cost-cutting measures, and demanded that local city labor be privileged over peasants when hiring and firing occurred,<sup>xlix</sup> Cao Jingxing, "A Good Trend or a Reason for Worry?" China Focus, 5:8 (August 1997), p. 8; Lim and Sziraczki, "Employment," p. 53; and SWB, FE/3162 (227/98), p. G/5 (from XH, 2/20/98), for an official source. much as foreign migrant workers are currently to be pushed out of Southeast Asian communities in the midst of financial crisis.<sup>xlix</sup> See David Lamb, "Migrant Asians Now Out of Work," Los Angeles Times, March 3, 1998, pp. A3, A9; and Margot Cohen, "Deport and Deter," Far Eastern Economic Review, April 23, 1998, pp. 16-20. The manifestations of this bias are multifold: peasants-in-cities were not encompassed within the rules of the contract system for city labor; a regulation that applied to them alone, which specified a three-to-five-year contract as the norm, was far from fully honored,<sup>xlix</sup> Provisions on Employing Contract Workers from Among

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the Peasants by State-Owned Enterprises," in Zhonghuarenmingongheguoguoowuyuangongbao [Bulletin of the State Council of the Chinese People's Republic] (Beijing) 28 (667) (October 18, 1991), 1001-16.

with many contracts lasting under a year. Unemployment insurance is yet to apply to these workers,<sup>xlix</sup> Lim and Sziraczki, "Employment," pp. 64, 61. nor does a national Reemployment Program aiming to place the furloughed.

Beginning in 1995, major cities such as Beijing and Shanghai began publicly requiring that certain occupations be reserved for city people (though repetitions of these demands a few years later raises questions about the extent of compliance they commanded).<sup>xlix</sup> FBIS, February 23, 1995, p. 68; March 16, 1995, p. 33; and June 28, 1995, p. 81. See also West, "The Changing Effects," p. 11; and Xiao Lichun, "Shanghai shiye, xiagangrenyuanxianzhuangjifazhanqushi" [Shanghai unemployment, laid-off personnel's situation and development trend] Zhongguorenkoukexue [Chinese population science], 3 (1998), pp. 26-37. Thus, rural migrants' now 40-plus-year-old lack of an urban hukou, or household registration, an institution established under socialism, continues to mark them as excluded noncitizens when they work in cities.

A quick comparison with the situation in France and Mexico affords insight into the added layer of exclusion lent by the residue of China's bygone or fading socialist institutions. In those countries, political parties, no matter how predominant (such as Mexico's Institutional Revolutionary Party--the PRI) or how right-wing (such as France's National Front), must still--and do--court workers' and even the unemployed's votes. In both, the strike is today permitted, and sometimes is effective, such as in a Tijuana automobile assembly plant in 1997<sup>xlix</sup> Sam Dillon, "Workers Win Showdown with Factory in Mexico," New York Times (hereafter NYT), 12/14/97.

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or in the French national transportation strike of 1995.<sup>xlix</sup>Craig R. Whitney, "Europeans Accept a Single Currency Despite Late Snag," NYT, 5/3/98.

And in France, at least, substantial unemployment and welfare schemes sustain the unemployed.<sup>xlix</sup>Symes, Unemployment in Europe. This is not to argue that inclusion graces the lot of these excluded people, but only that exclusion has more or less tolerable degrees.

### **Conclusion**

At first thought, it would appear that workers in China might have a more auspicious prospect than those caught in more globalized economies, given that neither their economy nor their rulers have fallen subject to an inexorable dynamic of difficult demands from abroad. Compared with places where regional trade regimes have dismantled tariffs, thereby setting the conditions for threatening competition; where impending monetary unions have called for erasing deficits; or where international lending institutions have installed rigorous austerity programs to handle mammoth debts--all from the outside--those employed in the Chinese economy, where none of the above was present, ought to have been relatively privileged. For China did escape the externalities of global involvement altogether for a number of decades. And once it embraced the world economy, it came in as a welcome guest, with its vast and untapped market, its hunger for foreign technology, its preferential policies for foreign investors, and its cut-rate workforce.

But the process of economic "globalization" contains more than a set of material practices. It is also an ideology; one might even say a culture, a metaphor for

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modernity and membership, but only at the level of the nation as a whole. Among the workforce worldwide, whether its members be in places pulled into the nets of the global economy willy-nilly, or whether they live in locations where leaders can exercise more choice, once-member citizens everywhere are seeing their participatory privileges shattered, as more and more of them find themselves among either the unemployed or else migrants, but either way, excluded from the community.

But in the case of China, virtual globalization presents even more perils for the people than the real thing does for many of those living in countries which have not been isolated in the past and that are not heirs to a legacy of socialist institutions-- which, ironically, in their heyday provided a firm foundation and an inclusive community of belonging for most citizens, so long as they operated within the rules of the game, and remained where they were registered. For this virtual globalization has come prematurely, before China has established a new institutional infrastructure commensurate to the social requirements of a humane market society: a working legal system, a dependable, public welfare system (at the very least for those who do have jobs), and citizenship rights for its own nationals, no matter where within the country they were born.

Thus, China's quest for membership, in serving as an extreme case, caricatures the paradox of participation that resides at the root of globalization: joining at the national level often entails exclusion for individuals. And in the absence of these three critical institutions, China's aping of globalistic economic forms has particularly reduced--and will continue to reduce--the proportion of participants to overall residents within the Chinese nation. In the words of a laid-off Chinese worker, "Workers today suffer under both socialism and capitalism."<sup>xlix</sup>Kernen, "Surviving Reform," p. 10.

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